

TEENS AND MONEY



A mini-lesson for:

elementary and secondary teachers

adult and community educators

students and parents

This mini-lesson includes learning objectives, background information, discussion questions, an activity and sources of additional information.

OBJECTIVES

Learners will:

- ♦ compare the advantages and disadvantages of spending now and spending later
- ♦ develop improved spending techniques and practices
- ♦ determine if you should buy an item

Teen Spending Soars

Teenagers earn, save, spend and borrow billions of dollars each year in the marketplace. They have more money to spend than previous generations and develop spending patterns at a younger age. Teens attitudes about money are most influenced by their parents, the media, their peers and their own successes and failures in spending money. The buying habits of teenagers are learning experiences.

Teenagers in the U.S. spent over \$84 billion a year. The money, which averages to about \$3,200 per teen comes primarily from parents and jobs; and covered spending on clothing, food, entertainment, personal-appearance products, recorded music, and transportation.

In 1953 teen spent \$7 billion. Spending has climbed steadily since then. When adjusted for inflation, it peaked in 1969 at about \$90 billion, as many of the original baby boomers entered their teens. Adjusted spending dropped in the 1970's, possibly because of recession; but now that the baby boomers' children are reaching their teen years, spending has started to climb again.

Are you a Good Spender?

Money management skills develop from the ideas, attitudes, and spending habits learned at home, school, and in the marketplace. Those who learn good money management skills are more likely to become adults who can make sound financial decisions, avoid excessive debt, and manage income and expenses to reach their financial goals.

Try This Young Spender's Profile

The following 19 statements pertain to spending techniques. There are five responses to select from which indicate the degree of your likeness to each statement. Just mark the number in the space provided. Should a statement not apply to your situation, skip it and adjust the scoring accordingly. The scoring section follows.

Responses:

1. Totally like me	4. A little like me
2. A lot like me	5. Not like me at all
3. Equally like and unlike me	

	1. Each time I receive money, I usually put a small amount of cash aside as savings.
	2. Each time I receive any money, I usually deposit it into a checking or savings account.
	3. I keep track of the money I receive from all sources.
	4. I set aside a pre-determined portion of my money for regular weekly expenses.
	5. I set aside ten percent of the money I receive for savings.
	6. My money is managed (both spending & savings) according to a written spending plan or budget.
	7. My food and grocery spending is planned in advance and done with a list.
	8. I rarely make less than two trips a week to the grocery or convenience store.
	9. Grocery and other coupons are utilized whenever possible.
	10. Comparison shopping for quality, value, price, etc. is something I do for practically every purchase, large or small.
	11. I do not have any credit cards with a balance owing.
	12. I do not have any loans with a balance owing.
	13. I have comparison shopped for food and clothing in the last year.
	14. I don't dine out (breakfast, lunch or dinner) more than two times a week.
	15. I account for all my cash spending by collecting receipts.
	16. I balance my checking/share draft accounts with each statement.
	17. I have looked into joining and/or am a member of a credit union.
	18. I am saving money towards my college education.
	19. I have given food/money to needy persons in the last two weeks.
	TOTAL OF ALL RESPONSES

Scoring:

After totaling all your responses, how did you do? Check your results with this scoring chart:

17-27	VERY PERCEPTIVE. Time to teach others how to do it.
28-42	PRETTY GOOD Concentrate on improving a few weaker spots.
43-58	AVERAGE An hour-a-week on improving spending = \$\$savings.
59-75	LOUSY Immediate change required to avoid financial disaster.
75+	IT STINKS! You need to re-evaluate all your spending habits.

How to Develop Improved Spending Techniques and Practices

- ◆ Write down all of the poor spending practices that you need and want to change.
- ◆ Write down how you plan to bring about the changes in each area.
- ◆ Construct a cash-flow sheet showing income and outgo.
- ◆ Set up and implement a spending plan or budget.
- ◆ Discontinue borrowing and use of all credit cards.
- ◆ Begin collecting and making notes on your cash purchase receipts.
- ◆ Begin saving one dollar-a-day (dollars) and all pocket change, everyday.
- ◆ Look for alternative and substitutes to spending
- ◆ Start utilizing cents-off coupons and mail in for rebates.
- ◆ Wait for the sales. Comparison shopping can save more than 50 percent.
- ◆ Take advantage of factory seconds, rebuilt and used items where practical.
- ◆ start doing things for yourself that others were paid to do previously.
- ◆ separate shopping trips (when comparing prices, etc.) from spending trips when you actually are going to make purchases. Avoid carrying credit cards, much cash, or checkbook on the shopping trips.

Consider the following when making a purchase:

- ◆ Do I really need the item?
- ◆ Is the price reasonable to justify buying it?
- ◆ Is this the best time to buy the item?
- ◆ If this is a bargain, is it a current model?

- ◆ If "On Sale," is the price a true sale price?
- ◆ Can a less expensive item be substituted?
- ◆ Are you sure there are no major disadvantages?
- ◆ Will it truly satisfy an inner need?
- ◆ Have you checked and researched the item?
- ◆ Do you know the retailer's reputation?
- ◆ Does this retailer offer any special services with the item?

Spending Plan

A spending plan can encourage teens to be careful money managers. The following topics can be discussed with them:

- ◆ identify income, including allowances and gifts
- ◆ set goals based on needs and wants
- ◆ determine expenses, both fixed and flexible
- ◆ develop a spending plan - budget
- ◆ revise the spending plan as needed

Allowances

An allowance is an important tool for teaching money management skills. The purpose of an allowance is to teach teens how to manage their own money based on their needs, wants and goals. The teen should have control over how the allowance is spent or saved. The parent can encourage them to make careful spending decisions and plan the use of their money. An allowance can help make them independent and give them confidence and self-discipline in handling money.

An allowance should be a specific amount of money, decided by both the child and parent and given at a specific time, such as weekly or monthly. As children get older they will probably have more money under their control and become more responsible for their personal spending. Also they tend to appreciate more the goods and services they buy with their own money, especially if they have saved for them over a period of time. An allowance can help eliminate the problem of parents having to say "no" when asked for money regularly.

People have differing views on allowances. Some parents feel that the allowance should be earned by doing household tasks. Others feel that as members of the family, teens are entitled to a share of the family income. An allowance can teach them the basics of money management and should not be used to punish them. The following allowance tips can help parents decide:

- ◆ There should be regular family discussions of various financial issues, choices and decisions.
- ◆ How much should the allowance be and how often should the allowance be paid?

◆ **By age 13**, an allowance should be enough to cover savings, fixed expenses, and spending money. In the teen years, ages 13 to 18, they need experience with managing larger sums of money and making decisions about how they spend and save money. Some parents suggest that by the time teens finish high school they should earn money to pay for all personal expenses such as clothing, entertainment and snacks.

◆ **Teens** who will go away to college may use a credit card and a checking account to pay college expenses. Credit is an important financial tool. They can learn how to handle credit responsibly if they are taught the advantages and disadvantages, the kinds and the costs of credit. Refer to the mini-lesson, Students and Credit Cards, which focuses on responsible credit card use.

When savings accounts reach about \$500, young people can be encouraged to invest in certificates of deposit, stock, mutual funds, or U. S. Savings Bonds. Some companies offer junior shareholder programs or waive fees for small accounts.

Additional teaching information: The Copernicus Education Gateway Teachers Guide:

Allowance and Spending Plan at

http://www.visa.edgate.com/visa/english/teachers/lev_2/lesson_01/index_teacher_01_lev2.html

Money Gifts

◆ Children over the age of 12 should be allowed to decide how to spend small money gifts. For larger gifts, parents could help them consider investments for longer-term goals such as a college education. The child should make the decision as to how the gift money is used.

◆ Parents can help children see how money helps them meet their needs, wants, and goals.

◆ Some children decide to save part of the money and spend the rest on something special, such as clothing or sports equipment.

Promote Financial Success

Parents can promote financial success for teens in the following ways:

◆ Do not make a practice of giving additional money when they overspend. They may learn through experience about the importance of setting limits on spending and making reasoned choices.

◆ Consider loaning with interest charges, if they need an advance. The teen will learn that borrowing money is very expensive.

◆ Help them establish attainable goals and develop a spending and saving plan to reach goals.

◆ Do not give allowances as rewards or behavior incentives.

◆ Set a regular time and date when the allowance will be paid. This is their "income" so it is not fair to make them wait.

- ◆ Let them spend or save their allowances without restrictions, except for the agreed upon fixed expenses such as lunches or school supplies.
- ◆ Discuss continuing the allowance when young people get a job. You can either continue to pay the fixed expenses and let them pay their social expenses or suggest that they deposit more of their allowance into their savings account for future use.
- ◆ Discuss the amount to be saved from the allowance. Ten to twenty percent may be a reasonable amount.
- ◆ Have young persons keep a journal of expenses if they continually run out of money.
- ◆ Do not tie the allowance to basic chores you expect them to do as a family member. Chores teach family responsibility.
- ◆ Discuss pay for doing extra chores, such as cutting the lawn or washing windows, especially if the child is saving for a big item.
- ◆ Establish rules for what to do about lost allowance money. Only money for necessities should be replaced.
- ◆ Allow them to negotiate a raise in their allowance.

See our Web Site on **Teaching Basic Economics** to help Parents teach their children basic economics at http://www.dfi.state.in.us/conscredit/teaching_basic_economics.htm

Money Management Skills

Parents and teachers can help develop positive attitudes about money. Young people can learn how to plan their spending to meet needs and financial goals. The first-hand experiences that they have in managing money provide valuable learning. When parents are too quick to bail them out of financial trouble, they do not learn the consequences of over spending. Young people who have money management skills are more likely to be able to handle adult financial decisions such as purchasing insurance, using credit wisely, paying taxes, investing, and saving for retirement plans. Parents and teachers who encourage good financial skills are helping young people avoid potential financial problems as adults.

See our Web Site on **Budgets** at <http://www.dfi.state.in.us/conscredit/end.htm#M>.

Additional teaching information: The Copernicus Education Gateway Teachers Guide:

The Art of Budgeting, Money Responsibility at http://www.visa.edgate.com/visa/english/teachers/lev_3/lesson_03/index_teacher_03.html,

MY SPENDING PLAN

GOALS

Short Term (Toy, CD, sporting equipment, computer programs/games, etc.)

Long Term (College Fund, Car, Car Insurance, etc.)

RULES

ALLOWANCE \$ _____ DATE _____

WEEKLY BUDGET

FIXED EXPENSES	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Lunches							
Transportation							
Contributions							
Savings							
Other							
FLEXIBLE EXPENSES							
Toys/hobbies							
Movies							
Entertainment							
Snacks							
Clothing							
Books/magazines							
CDs/Tapes							
Gifts							
Other							

ALLOWANCE AND SPENDING PLAN QUIZ

1. Spending plans are decisions about how you spend your allowance.
 - ☐ True
 - ☐ False
2. A written spending plan is the best way to manage an allowance.
 - ☐ True
 - ☐ False
3. Spending plans should be discussed with parents.
 - ☐ True
 - ☐ False
4. Everyone has the same spending plan.
 - ☐ True
 - ☐ False
5. My spending plan must remain the same for an entire year.
 - ☐ True
 - ☐ False
6. Giving to a church or charity can be part of my spending plan.
 - ☐ True
 - ☐ False
7. Changes can be made in my written spending plan:
 - ☐ Only once a week
 - ☐ Only once a month
 - ☐ Only every six months
 - ☐ As my need change
8. Savings provide money for:
 - ☐ Emergency expenses
 - ☐ Unplanned expenses next year
 - ☐ Expenses in five years
 - ☐ All of the above
9. A spending plan can be made by:
 - ☐ Keeping a diary of expenses
 - ☐ Asking a friend to make it for you
 - ☐ Unplanned expenses next year
 - ☐ Checking how much money is in your pocket
10. Which of the following is NOT a spending plan category
 - ☐ Transportation
 - ☐ Entertainment
 - ☐ Candy bars
 - ☐ Clothing

ALLOWANCE AND SPENDING PLAN

QUIZ ANSWERS

1. Spending plans are decisions about how you spend your allowance.
☐ True
2. A written spending plan is the best way to manage an allowance.
☐ True
3. Spending plans should be discussed with parents.
☐ True
4. Everyone has the same spending plan.
☐ False
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7. Changes can be made in my written spending plan:
☐ As my need change
8. Savings provide money for:
☐ All of the above
9. A spending plan can be made by:
☐ Keeping a diary of expenses
10. Which of the following is NOT a spending plan category
☐ Candy bars

BUDGETING QUIZ

1. The budgeting process starts with monitoring current spending.
☐ True
☐ False
2. Most short-term goals are based on activities over the next two or three years.
☐ True
☐ False
3. A common long-term goal may involve saving for college for parents of a new-born child.
☐ True
☐ False
4. Rent is considered a fixed expense.
☐ True
☐ False
5. Flexible expenses stay about the same each month.
☐ True
☐ False
6. The final phase of the budgeting process is to:
☐ set personal and financial goals.
☐ compare your budget to what you have actually spent.
☐ review financial progress.
☐ monitor current spending patterns.
7. An example of a long-term goal would be:
☐ an annual vacation.
☐ saving for retirement
☐ buying a used car.
☐ completing college within the next six months.
8. A clearly written financial goal would be:
☐ To save money for college for the next five years
☐ To invest in an international mutual fund for retirement
☐ To establish an emergency fund of \$4,000 in 18 months
☐ To pay off credit card bills this year
9. An example of a fixed expense is:
☐ clothing.
☐ auto insurance.
☐ an electric bill.
☐ educational expenses.
10. What is commonly considered a flexible expense?
☐ rent
☐ a mortgage payment
☐ home insurance
☐ entertainment

BUDGETING QUIZ ANSWERS

1. The budgeting process starts with monitoring current spending.
☐ False
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☐ To establish an emergency fund of \$4,000 in 18 months
9. An example of a fixed expense is:
☐ auto insurance.
10. What is commonly considered a flexible expense?
☐ entertainment

MONEY RESPONSIBILITY QUIZ

1. If I overspend my allowance, I can expect my parents to give me more money.

- ☐ True
- ☐ False

2. It is easier to return an item to the store if I have the sales receipt.

- ☐ True
- ☐ False

3. Writing down my expenses helps me know my spending balance.

- ☐ True
- ☐ False

4. It is OK to buy everything I want.

- ☐ True
- ☐ False

5. I need to be sure my allowance money lasts for an entire week.

- ☐ True
- ☐ False

6. Which of the following can be used to keep expense records organized:

- ☐ Envelopes
- ☐ File Folders
- ☐ Shoe boxes
- ☐ All of the above

7. I should keep sales receipts:

- ☐ Until I leave the store
- ☐ Until I get home
- ☐ Until I enter it on my expense log
- ☐ As long as I need proof of purchase

8. Which of the following is a responsible spending practice?

- ☐ Spending more money than I have planned
- ☐ Buying an item that looks good to me, even if I do not need it
- ☐ Buying an item that is included in my spending plan
- ☐ Always shopping at the most expensive stores

9. If you don't get a receipt, you should:

- ☐ write the amount down before you leave the store
- ☐ wait until you get home to write the amount down
- ☐ guess what you spent at the end of the week
- ☐ ignore the cost of the item

10. Keeping records:

- ☐ helps me know what I spend
- ☐ helps me stay within my spending plan
- ☐ makes me more responsible
- ☐ All of the above

MONEY RESPONSIBILITY QUIZ

ANSWERS

1. If I overspend my allowance, I can expect my parents to give me more money.
☐ False
2. It is easier to return an item to the store if I have the sales receipt.
☐ True
3. Writing down my expenses helps me know my spending balance.
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4. It is OK to buy everything I want.
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5. I need to be sure my allowance money lasts for an entire week.
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6. Which of the following can be used to keep expense records organized:
☐ All of the above
7. I should keep sales receipts:
☐ As long as I need proof of purchase
8. Which of the following is a responsible spending practice?
☐ Buying an item that is included in my spending plan
9. If you don't get a receipt, you should:
☐ write the amount down before you leave the store
10. Keeping records:
☐ All of the above

DISCUSSION QUESTIONS AND TOPICS

1. Why should teens learn money management skills?
2. How can parents help their teens develop money management skills?
3. What information should be discussed when creating a spending plan for teens?
4. Can an allowance teach teens to be effective and responsible consumers? Explain.
5. How can parents help their teens create an allowance that is realistic and fair?

ACTIVITY

Using the My Spending Plan worksheet, determine an appropriate allowance with your teens. Have them list both short and long-term goals. Then have them record their expenses on the worksheet. Rules for the use of the allowance/income should be decided by parents and teens. Write the rules on the worksheet. An allowance has a tendency to just disappear unless you encourage the teen to plan its use. When they get into the habit of controlling their spending, they will find it easier to live within their income for the rest of their lives.

Once students have developed a Spending Plan, have them make out a Weekly Budget.

Have students take the Allowance and Spending Plan Quiz.

Have your class take the Money Responsibility Quiz.

Have your class take the Budget Quiz.

Give students a copy of our **Brochures**.

SOURCES OF ADDITIONAL INFORMATION

Articles

Accounts That Give Piggy Banks a Run For The Money by Debra Nussbaum. The New York Times, p. F7, (June 30, 1996).

Allowances: How do your kids fare? Consumer Reports, p. 6, (January 1997).

Kids and Their Cash. Newsweek, pp. 68-69, (October 2, 1995).

Your Kids & Your Money: The Answers, by Janet Bodnar. Kiplinger's Personal Finance Magazine, pp. 91-93, (May 1997).

Students Tackle a Subject With Interest; learning the fundamentals of investing can be a profitable lesson by Martha M. Hamilton. The Washington Post, p. WH9, (March 4, 1997).

A Synergistic approach to Consumer Education: Meeting the Needs of the 1990's, by Nancy M. Porter. Journal of Consumer Education, pp. 23-31, (1993).

Book

Kiplinger's Money Smart Kids (and parents, too!), Bodnar, Janet, National Book Network. Telephone: (800)253-6476. \$12.95.

Pamphlets

Children Learn Money management: Parents Know and Show How

Children Learn Money Management: Allowances
Children Learn Money Management: Facing the Spending Squeeze
Children Learn Money Management: Planned Spending and Saving
Children Learn Money Management: Getting Their Money's Worth
Children Learn Money Management: Don't Lose It!
Children Learn Money Management: Sharing Is Priceless
Children Learn Money Management: Parents Plan Action

Available free from:

Cooperative Extension Service
Division of Family and Youth Services
West Virginia University
614 Knapp Hall, P.O. Box 6031
Morgantown, West Virginia 26506-6031
Fax: (304) 293-7599

Teaching Your Children about Money: Information from your Credit Union

Available free from:

National Credit Union Youth Program
5910 Mineral Point Road
P.O. Box 391
Madison, WI 53701

Internet

See our Web Sites:

Teaching Basic Economics to help Parents teach their children basic economics at
http://www.dfi.state.in.us/conscredit/teaching_basic_economics.htm

Ways to Save Money at <http://www.dfi.state.in.us/conscredit/waysave.htm>

Shopping by Phone or Mail at
http://www.dfi.state.in.us/conscredit/shopping_by_phone_or_mail.htm

Solving Consumer Problems at
http://www.dfi.state.in.us/conscredit/solving_consumer_problems.htm

Additional teaching information: The Copernicus Education Gateway Teachers Guide

"The Art of Budgeting" at
www.visa.edgate.com/visa/english/teachers/lev_3/lesson_03/index_teacher_03.html ,

Money Responsibility at
http://www.visa.edgate.com/visa/english/teachers/lev_2/lesson_02/index_teacher_02_lev2.html
and

Allowance and Spending Plan at
www.visa.edgate.com/visa/english/teachers/lev_2/lesson_01/index_teacher_01_lev2.html

Links to Other **Budget Information** at http://www.womensfinance.com/create_a_budget

Budget Calculators at <http://www.cuna.org/data/consumer/advice/calcs/calculators.html>

More Budget Calculators at

http://www.dfi.state.in.us/uccc/links_to_interactive_tool_calcul.htm##budget

NBC Digital Productions <http://www.nbc.com/atthemax/money>

The **Jump\$tart Coalition** <http://www.jumpstartcoalition.org> for Personal Financial Literacy

Kid's Money - <http://www.kidsmoney.org>

National Center for Financial Education - **Children and Money** <http://www.ncfe.org/index.htm>

Banking Basics (Grades 7-12) at <http://ecedweb.unomaha.edu/ve/library/BASC.PDF>

Children in the Marketplace at

<http://app.ny.frb.org/cfpicnic/frame2.cfm?url=http://www.phil.frb.org/consumers/apply.html>

WHAT IS A BUDGET?

A budget is a **spending plan** that you decide upon. It is based on how much you make (income) and what your monthly expenses are. By understanding your monthly income and expenses, you will be better able to manage your cash flow and determine how much debt, if any, you can assume.

HOW DO YOU FIGURE OUT A BUDGET?

You can use the following pointers and budget work-sheet to figure out your own monthly budget.

◆ **Start with your income.** Figure out your monthly take-home pay. That's the amount you bring home each month after taxes, etc. are withheld.

◆ **Prepare a list of your monthly fixed expenses.** Fixed expenses are the payments that you have to make each month, many of which are the same such as your rent or mortgage payment, utilities (take an average if not budgeted), and any credit payments you have.

◆ **List your monthly flexible expenses.** Your flexible expenses may vary from month to month, but you can control them more readily than you can your fixed expenses. In other words, you can decide whether and how much you will spend on them.

"Flexible expenses" include food, clothing, transportation, household expenses, and personal spending for entertainment, eating out, and other items that you have control over.

DECIDE HOW MUCH TO SAVE AND STICK TO IT

It is important to think of savings as a fixed expense so that you are sure to save a set amount each month. Otherwise, it is easy to

spend more on your flexible expenses and forget about savings.

Services are available through your employer and your bank to make it easier for you to save. These include payroll deductions, direct deposit of your paycheck, and automatic savings plans.

The budget worksheet will help you determine how much you can save.

CREATE A SPENDING PLAN

You should be sure to have some savings you can utilize in a financial emergency. But, you should create a spending plan that allows you to reduce your debts. If you have credit card balances, you should use your extra money to pay those balances off quicker. Withdrawing savings from low-interest accounts to settle high-rate loans will save you money in the long run. Extra money sitting in a savings account earning less than 5% could be better utilized by paying off credit card balances being imposed interest at 21%.

TRY TO REDUCE YOUR EXPENSES

Cut out any unnecessary spending such as eating out and purchasing expensive entertainment. Clip coupons, purchase generic products at the supermarket, and avoid impulse purchases. Above all, stop incurring new debt.

HOW TO DEAL WITH FINANCIAL EMERGENCIES

A sudden illness or the loss of your job may throw you off your budget and make it impossible for you to pay your bills on time. Whatever your situation, if you find that you cannot make your payments, contact your creditors at once. Try to work out a modified payment plan with your creditors that reduces your payments to a more manageable level. If you have paid promptly in the past, they may be willing to work with you. Do not wait until your account is turned over to a debt collector.

BUDGET WORKSHEET

FIXED EXPENSES:	
Rent/Mortgage.	\$
Credit payments	\$
Insurance.	\$
Medical	\$
Other	\$
FLEXIBLE EXPENSES:	
Food	\$
Clothing	\$
Transportation	\$
Household	\$
Personal	\$
Other	\$
TOTAL EXPENSES	\$
MONTHLY TAKE-HOME PAY	\$
LESS TOTAL EXPENSES	\$
SAVINGS	\$

The Indiana Department of Financial Institutions,
Division of Consumer Credit has many other credit
related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit Reporting and Scams
Debt Collection Problems?
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
How to Cut the Costs of Credit
Identity Theft
Look Before you Lease
Mortgage Loans
Older Consumers
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Secured Credit Card Scams
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on
the cover for a copy of any of the brochures listed
or for further consumer credit information. You
can also access information at our web site on the
Internet: <http://www.dfi.state.in.us>, then click on
Consumer Credit.



WHAT IS A BUDGET?



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>



FAST FACTS

- * Whenever you have a problem with a product or a service, first discuss your complaint with the merchant.
- * If necessary, write a letter to the company's consumer affairs office or its president. Your letter should be brief and to the point
- * You might also contact organizations and agencies that provide consumer assistance. They include: your State Attorney General, other state and local consumer affairs offices, the Better Business Bureau, Bureau of Consumer Protection Office of Consumer & Business Education, (202) 326-3650, and the Federal Information Center. In addition, dispute resolution programs offer more substantive consumer assistance through mediation and arbitration.

As a consumer, you have the right to expect businesses to treat you fairly and honestly. However, there may be instances when you are not satisfied with a product or service and you need to know how to remedy the situation.

This information offers approaches to solving a consumer product or service problem. It helps you decide where and to whom you should direct your complaint. Some organizations and agencies that provide consumer assistance also are listed.

How to Get Started

Whenever you have a problem with a product or service, first discuss your complaint with the merchant. If the first person you speak with cannot help, go to the manager and continue up the line of authority until you get satisfaction.

If necessary, write a letter to the company's consumer affairs office or its president. Management may be grateful when you bring a complaint to their attention. It can help them identify problems that could be bad for business. In some circumstances, it also may be necessary to contact the manufacturer.

An effective complaint letter should include certain essential pieces of information. It should be brief and to the point. List all important facts and include copies, NOT originals, of documentation regarding your complaint.

Send your letter by certified mail, return receipt requested, and keep copies of your dispute letter and enclosures. This will document what the company received. See our Web Site on Solving Consumer Problems for a sample complaint letter.

CONSUMER RESOURCES

If you cannot get satisfaction from the merchant or manufacturer, you may wish to try to get help elsewhere. The following organizations and agencies can be valuable resources:

State and Local Organizations

Look in your phone book for the complete names, addresses, and phone numbers for the following offices.

State - Attorney General or Consumer Affairs. Most offices are headquartered in your state capital, although many have local and regional offices.

Local - or county consumer affairs
Better Business Bureau
Local postmaster
Local media: television; radio; or newspaper
consumer "Hotlines," such as Call For Action.

Federal Government

The Consumer's Resource Handbook, published by the U.S. Office of Consumer Affairs, provides a listing of federal, state and local government agencies, and offices of private businesses and organizations that can help resolve consumer complaints. For a free copy of the Handbook, send a postcard to: Consumer's Resource Handbook, Consumer Information Center, Pueblo, Colorado 81009.

In addition, if you are not sure what federal agency has jurisdiction over your inquiry or complaint, you may contact the Federal Information Center (FIC). The FIC is listed in the U.S. government section of telephone directories in major cities around the country.

For a complete listing of FIC telephone numbers, send a postcard to:
Federal Information Center, Consumer Information Center, Pueblo, Colorado 81009.
Private Organizations

The National Fraud Information Center (NFIC), a project of the National Consumers League, operates a consumers' hotline at 1-800-876-7060, 9a.m.-5:30 p.m. EST, Monday - Friday. NFIC provides services and assistance in filing complaints and sends appropriate information to the Federal Trade Commission/National Association of Attorneys General Fraud Database for investigation and enforcement use.

DISPUTE RESOLUTION PROGRAMS

Dispute resolution programs offer a substantive approach to settling disagreements. They can be quicker, less expensive, and more private than going to court. Many businesses and private organizations, as well as public agencies, offer dispute resolution programs. Some programs are free. Others charge a flat rate or one based on how much a consumer can afford.

Two common types of dispute resolution techniques are mediation and arbitration. Through mediation, you and the other party try to resolve the dispute with the help of a neutral third party - a mediator. In the course of informal meeting, the mediator tries to help resolve your differences. The mediator does not make a decision; it is up to you and the other party to reach an agreement. The mediator is there to help you find a solution.

In arbitration, you present your case before an arbitrator, who makes a decision about the case. Arbitration is less formal than court, though you and the other party may appear at hearings, present evidence, or call and question each other's witnesses. The decision may be binding and legally enforceable in court.

You may want to contact the following kinds of organizations to find out what dispute resolution options are available in your area: local or state consumer protection agencies, state attorneys general, small claims courts, some local court systems, Better Business Bureaus, bar associations, law school clinics, and nonprofit dispute resolution programs.



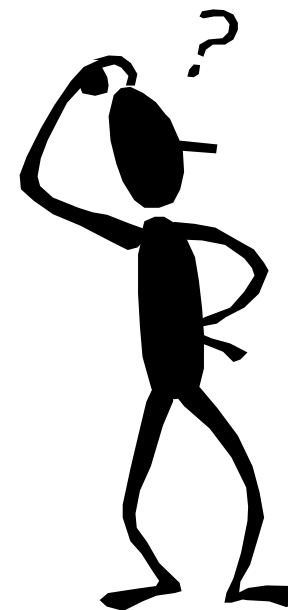
The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
- Credit and Divorce
- Deep in Debt?
- Equal Credit Opportunity
- Fair Credit Reporting
- Fair Debt Collection
- Gold Cards
- Hang up on Fraud
- High Rate Mortgages
- Home Equity Credit Lines
- How to Avoid Bankruptcy
- Look Before you Lease
- Mortgage Loans
- Older Consumers
- Repossession
- Reverse Mortgage Loans
- Rule of 78s – What is it?
- Shopping for Credit
- Using Credit Cards
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



SOLVING CONSUMER PROBLEMS



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>



Shopping by phone or mail is a convenient alternative to shopping at a store. The Federal Trade Commission's Mail or Telephone Order Rule covers merchandise you order by mail, telephone, computer, and fax machine.

MAIL OR TELEPHONE ORDER RULE

By law, a company should ship your order within the time stated in its ads. If no time is promised, the company should ship your order within 30 days after receiving it.

If the company is unable to ship within the promised time, they must give you an "option notice." This notice gives you the choice of agreeing to the delay or canceling your order and receiving a prompt refund.

There is one exception to the 30-day Rule: if a company doesn't promise a shipping time, and you are applying for credit to pay for your purchase, the company has 50 days to ship after receiving your order.

Fair Credit Billing Act (FCBA)

You're protected by the FCBA when you use your credit card to pay for purchases.

Billing Errors

If you find an error on your credit or charge card statement, you may dispute the charge and withhold payment on the disputed amount while the charge is in dispute. The error might be a charge for the wrong amount, for something you did not accept, or for an item that was not delivered as agreed.

Of course, you still must pay any part of the bill that is not in dispute, including finance charges on the undisputed amount. See our Brochure on Fair Credit Billing.

If you decide to dispute a charge:

Write to the creditor at the address indicated on the monthly statement for "billing inquiries." Include your name, address, credit card number, and a description of the billing error.

Send your letter in a timely fashion. It must reach the creditor within 60 days after the first bill containing the error was mailed to you.

The creditor must acknowledge your complaint in writing within 30 days after receiving it, unless the problem has been resolved. The creditor must resolve the dispute within two billing cycles (but not more than 90 days) after receiving your letter.

UNSATISFACTORY GOODS OR SERVICES

You also may dispute charges for unsatisfactory goods or services. To take advantage of this protection regarding the quality of goods or services, you must:

- * have made the purchase in your home state or within 100 miles of your current billing address. The charge must be for more than \$50;
- * make a good faith effort first to resolve the dispute with the seller. However, you are not required to use any special procedure to do so.

Note: The dollar and distance limitations don't apply if the seller also is the card issuer or if a special business relationship exists between the seller and the card issuer.

PRECAUTIONS

Before ordering by phone or mail, consider your experience with the company or its general reputation. Determine the company's refund and return policies, the product's availability, and the total cost of your order.

CONTACTS FOR RESOLVING PROBLEMS

If you have problems with mail or phone order purchases, try to resolve your dispute with the company. If that doesn't work, the following resources may be helpful:

State and local consumer protection offices. Contact the offices in your home state and where the company is located.

The Direct Marketing Association (DMA). Write:

DMA Mail Order Action Line
1101 17th Street, NW
Washington, DC 20036

Postal Inspectors. Call your local post office and ask for the Inspector-in-Charge.

You may want to have your name removed from direct mail or phone lists. Be aware, however, that if you purchase goods by mail after your name is removed, it may be added again. You may want to make a new request to have your name removed every few years. You also may want to ask mail or telephone order companies to retain your name on in-house lists only.

To remove your name from many national direct mail lists, write:

DMA Mail Preference Service
P.O. Box 9008
Farmingdale, NY 11735-9008

To avoid unwanted phone calls from many national marketers, send your name, address, and telephone number to:

DMA Telephone Preference Service
P.O. Box 9014
Farmingdale, NY 11735-9014

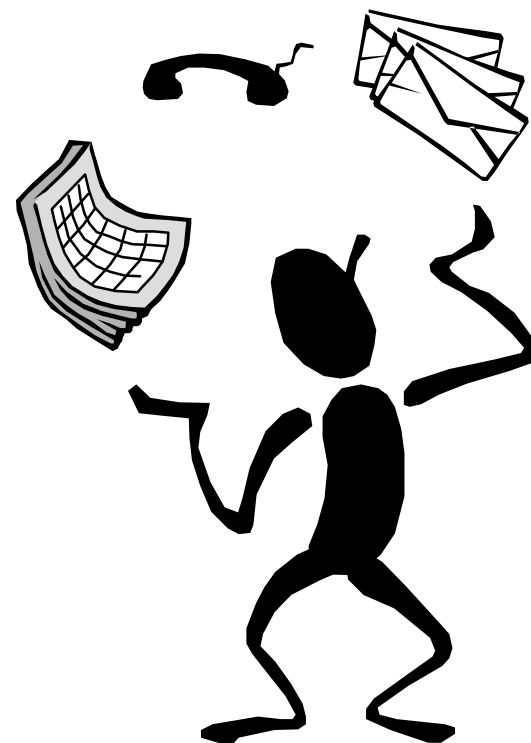
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SHOPPING BY PHONE OR MAIL



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